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SUBJECT: SLOW START FOR CENTRAL AFRICAN STOCK EXCHANGE

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Summary  
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¶1. (SBU) The Libreville-based Central African Stock Exchange (BVMAC) is off to a modest start, and has failed to persuade any company to list on the exchange since its August 2008 debut. BVMAC management cites several obstacles, including the existence of a separate stock exchange in the region, the Douala Stock Exchange (DSX) in Cameroon.

DSX is only marginally more successful, with three listed companies. Despite obstacles, BVMAC has so far brought in USD 550,000 of revenue for financial services and processed USD 255 million worth of bonds and securities. Exchange officials are optimistic that BVMAC will soon attract listing companies and be able to provide financing for regional governments and the private sector. Outside observers remain skeptical. End Summary.

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Regional Competition  
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¶2. (U) Since it was founded in August 2008 the Libreville-based Central African Stock Exchange (BVMAC in its French acronym) has identified 48 companies in Gabon (out of 100 region-wide) eligible for listing. So far, however, no company has done so despite the backing of the Central African Economic and Monetary Community (CEMAC), Central Africa's leading regional economic organization. Eligible companies include such giants as Total Gabon, Shell Gabon, and COMILOG (a manganese-exporting company), as well as smaller industry players, insurance companies, and retailers. In a recent published interview, Willy Ontsia, the Director General of BVMAC, attributed this reluctance to three main factors: lack of knowledge about the stock exchange and capacity to navigate it, qualms about opening company finances to public review in a business environment that has historically been highly secretive, and the existence of the competing Douala Stock Exchange (DSX) in Cameroon.

¶3. (SBU) According to Ontsia, "unproductive quarrels over the existence of two stock exchanges in Central Africa" have undermined the confidence of potential investors and companies eligible to participate in the Libreville exchange. According to Gabonese observers, CEMAC's decision to set up the regional stock exchange in Libreville was opposed from the outset by Cameroonian authorities. In any case, Cameroon moved quickly in the aftermath of CEMAC's decision, opening the DSX in Douala in April 2004. Despite the head start, DSX currently lists stock for only three companies, according to its website.

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BVMAC's Modest Debut . . .  
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¶4. (U) Despite various obstacles and its failure so far to attract any listed companies, BVMAC has registered some success in its first

six months of operation. At its opening in August 2008, BVMAC facilitated the sale of USD 158 million of Gabonese treasury bonds. Since the launch, BVMAC has processed USD 97 million worth of other securities, including USD 78 million from the private International Gabonese and French Bank (BGFI) and USD 19 million from the public Gabonese Development Bank (BGD). According to BVMAC, private brokerage firms so far have earned USD 12 million in commissions for trading within the new stock exchange.

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... And Ambitious Plans  
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¶5. (U) BVMAC recently released a five-year roadmap aimed at developing a more active stock market, capable of financing regional governments and businesses. The plan calls for continued efforts to persuade private companies to list their stock, and financial incentives for participation. Incentives include a 46 percent reduction in business taxes, from 35 percent to 20 percent, for a period of three years. BVMAC aims to sign up at least two companies in 2009, 14 by the end of 2012, and 20 by the end of 2013, for a total capital stock of USD 1.25 billion. The five-year plan also provides for improving regional integration by opening a BVMAC office in each CEMAC member nation, beginning with an office in Douala this year. Finally, BVMAC intends to organize outreach sessions to increase understanding of the regional exchange.

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Comment  
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¶6. (U) The Central Africa Stock Exchange has made at best a very

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modest start. To succeed, it must attract genuine regional backing, from both governments and the private sector. It must also find a way to compete successfully, or merge with, Cameroon's Douala Stock Exchange. A successful stock exchange, wherever it is located, would facilitate investment and encourage greater transparency in the region's notoriously opaque business and financial sector. These direct and collateral benefits are reason enough to encourage BVMAC's continued progress. End Comment.

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